

Comments to TREES v2.0 from Norway's International Climate and Forest Initiative

Norway's International Climate and Forest Initiative (NICFI) would like to applaud the ART Board and Secretariat for the proposed update of the TREES standard, providing new modules on much warranted topics, and addressing topics which were unclear or which required adjustments in the TREES v 1.0. We would also like to commend the Secretariat for its extensive efforts in outreach to explain the new version to interested stakeholders, including webinars in multiple languages. We sincerely hope the process of public consultation will provide useful feedback to further improve the current version.

NICFI would like to offer our comments on what we see as core topics in the TREES 2.0 version as outlined below.

High forest cover, low deforestation; HFLD

We appreciate that the ART Board and Secretariat has approached this topic and attempted at providing an accounting approach that would recognize the efforts undertaken by countries with high forest cover and low deforestation. We see great benefit in providing both incentives as well as rewards for this group in keeping their forests intact and not embarking upon a pathway where forests are converted to non-forest land use. We recognize the challenges addressing this topic, and would like to applaud the ART Board and Secretariat for the effort.

Regarding the specific suggested approach, we would like to offer the following comments:

1. The criteria to qualify for HFLD

NICFI generally appreciates the outlined HFLD Score approach in chapter 9.2. In particular, we support the fact that the requirements apply to all years in both the reference and crediting period, and strongly recommend maintaining this in future versions. We believe the suggested approach is more appropriate than absolute thresholds to an HFLD definition, though we recognize that a discussion on the presented intervals /values could be warranted, noting in particular that the deforestation rate of 0,50% is more than twice the rate of certain other HFLD definitions. This seems somewhat high to us. Linked to the development of the approach to identifying results for HFLDs (setting of reference level), arguments could be made to make the criteria stricter than currently suggested in the draft on public consultation.

The HFLD score approach incorporates two important characteristics of HFLD jurisdictions; forest cover and deforestation rate. In future work related to the HFLD approach, we would encourage exploring whether there are any benefits in incorporating values of carbon stocks as well.

2. The approach to setting reference level for HFLD

NICFI believes that from a policy perspective, the approach of a trend line as reference level, as suggested in section 5.2, gives the wrong signals and incentives. Generally, trend lines do not communicate high environmental integrity as they indicate an expectation of rising

deforestation, and gives increasing rewards over time for the same level of (low) deforestation. For HFLD countries with stable emissions, there may be no additional rewards of significance when a trend line is used as reference level compared to an historical average, and for countries with a downward trend in the reference years, the approach does not provide any recognition of their HFLD status at all. The approach, as suggested in TREES v2.0, seems to provide most rewards for HFLDs with an upwards trend in the historical reference period, disproportionately benefitting recent deforesters. This makes the approach vulnerable to perverse incentives and could give a misleading signal about desirable actions in the near future, prior to seeking ART certification.

Though a HFLD country may have reduced deforestation and thereby achieve results in the first crediting period, this success will, as we interpret the current language, lead to low rewards in subsequent crediting periods. We do not think that this approach gives the warranted effects of the module.

Unfortunately, it seems as if the additional element of forgone removals, albeit a step in the right direction, provides neither incentives nor rewards of sufficient magnitude. This approach seems somewhat complicated and more guidance might be required to ensure full understanding of the method.

3. HFLD at country level vs subnational jurisdiction level

There are several challenges with applying the HFLD concept at the subnational level, and we fear this will give perverse incentives without providing any additional benefits. As we see it, there are strong arguments for limiting the HFLD approach to country level. HFLD, as it originates from the UNFCCC, was intended for the national level, to provide recognition to countries that had not subjected their lands to deforestation and to identify this clearly distinct set of characteristics of high forest cover and low deforestation rate. Should the HFLD concept be applied to the subnational level, there is a need to spell out requirements to avoid perverse incentives related to cherry-picking areas, prevent leakage, ensure adequate transition to national level, etc. There will be a need for explicit expectations to frame HFLD at subnational level within a national context in order for it to demonstrate the right incentive structure. From our perspective, we would advice not to take this approach but maintain HFLD as a concept to be applied to the national level only.

We recognize the challenges of defining an HFLD module within the existing framework of the standard and the immutable principles, but strongly hope that the ongoing consultation will provide feedback and lessons learnt that might inspire an approach that gives the HFLDs the rewards and incentives they both deserve and need, advancing the current approach. We believe that through continuing to harvest from current experiences, ART will advance the development of an approach that will both recognize and incentivise actions undertaken by HFLD countries to maintain their status. One possible line of action could be to build on the HFLD score as outlined in section 9.2 and incorporate these values in the estimation of ERs. Whilst we recognize that existing experiences, such as those of the FCPF, GCF, the

Guyana – Norway bilateral partnership and the Gabon – CAFE partnership, already has informed the work of the secretariat, there is merit in further refining the suggested approach. The mentioned examples all include elements providing incentives for HFLDs that could be worth exploring further. We would in particular like to highlight that it could be worthwhile to regard the process of gaining recognition as an HFLD, and the incentive structure for those recognized as HFLD, as integral parts, both contributing to the outcome. Once countries have met a very strict definition of HFLD; it could be appropriate to consider an incentive structure that provides extra rewards for maintaining this status. We believe this would be preferable compared to an approach which creates an incentive for deforestation prior to claiming the HFLD status.

Removals

NICFI welcomes this additional module. Recognizing and providing reward for increased removals is an important component of climate action in the land use sector, with relevant safeguard measures. We strongly support the requirement that results on reduced emissions is a prerequisite for the issuance of credits for removals. In light of this, it could be worth further specifying whether this criteria is applicable to the same crediting year, or the previous monitoring period, or crediting period. The language on p 32 suggests that the criteria is applicable to the years covered by the previous monitoring report. Our view is that the integrity of the results would be further enhanced if the requirement applies to the same crediting year, so that in order to be issued removal credits in year T, the TREES participant also needs to have emission reductions in year T.

NICFI sees merit in the additional incentives/rewards provided for natural forest restoration through the crediting level.

We have some concerns related to the conversion of other non-forest ecosystems such as natural grasslands or wetlands to forest, and how areas that are recently deforested, would or would not be included in the accounting. There would be merit in providing additional details on how the standard aims to ensure that other non-forest ecosystems such as natural grasslands or wetlands are not converted into forest, and how recently deforested areas may or may not be included in the accounting, with due concern for perverse incentives. This also relates to the application of Cancun safeguard E as well as relationship to IPCC land use change guidance. We do not see that the requirement in footnote 9 is sufficient to address this. In the further development of this, we would welcome using the IPCC land use categories including transition categories as a starting point for the analytical work, in order to stimulate dynamic land use inventories in participating countries or jurisdictions.

Indigenous territories as eligible entities

NICFI welcomes including recognized indigenous communities/ territories, and appreciate that the thresholds are the same as or similar to other subnational units.

Uncertainty

NICFI sees merit in the approach suggested in TREES v 2.0, where the accounting incorporates uncertainty in the achieved emission reductions rather than the annual emissions. We believe this approach better strikes the balance between what is reasonable and the need for assurance. It could be worthwhile to provide some further background information on the approach, including the rationale for the ART-allowable risk.

However, we would suggest reconsidering using 95% confidence interval instead of 90% confidence interval to align with IPCC. This would reduce the reporting burden on countries, as they would not need to make these estimates several times, and also enhance transparency, as a country would not have several uncertainty estimates for different reporting regimes.

Additionally, there could be merit in including more guidance on uncertainty, including an encouragement for TREES participants to be transparent about their uncertainties. There might also be merit in broadening the approach beyond the Monte Carlo approach.

Miscellaneous comments

We support the clarification that data collected before the Participant joined ART are not required to meet the technical requirements. It could be worthwhile clarifying whether this applies to the conditions on remote sensing approaches on p 24-25.

We would welcome further guidance on approaches to account for peat soils.